

NCA
VOC FOR IOP/EL
NEWS ANALYSIS 1-1611
JOHN SCHULZ/MANILA

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IMF-WORLD BANK MEETING

AMINCR:

VOA CORRESPONDENT JOHN SCHULZ, WHO WAS IN MANILA THIS WEEK FOLLOWING THE ANNUAL MEETING OF THE INTERNATIONAL MONETARY FUND AND WORLD BANK, HAS THESE OBSERVATIONS ON THE PROCEEDINGS.

VOICE:

IN A RECENT COLUMN, "NEW YORK TIMES" ECONOMIC EDITOR, EDWIN DALE, QUOTED A FINANCE MINISTER FROM ONE OF THE DEVELOPING COUNTRIES AS SAYING THAT WHEN IT CAME TO FINANCE HE WISHED HIS FOREIGN MINISTER WOULD KEEP HIS MOUTH SHUT. NO STATEMENT COULD BETTER UNDERSCORE THE DIFFERENCE IN THE TONE OF THE JOINT IMF-WORLD BANK MEETING AND THE TONE THAT SO OFTEN LEADS TOWARD CONFRONTATION WHEN REPRESENTATIVES FROM AS MANY AS ONE HUNDRED THIRTY COUNTRIES GET TOGETHER. SPEAKERS FROM A LARGE CROSS SECTION OF THE WORLD'S ECONOMIC AND POLITICAL SPECTRUM WERE HEARD. BUT THEIR SPEECHES WERE CONSPICUOUSLY LACKING IN POLITICAL RHETORIC OR STRIDENCY.

CLEAR CUT CONSENSUS EMERGED ON A NUMBER OF ISSUES. OF PARTICULAR NOTE WAS THE VIRTUALLY UNANIMOUS AGREEMENT AMONG DELEGATES FROM BOTH THE DEVELOPED AND THE DEVELOPING COUNTRIES THAT INFLATION IS THE FIRST REAL ENEMY TO BE DEALT WITH. SIGNIFICANTLY, EVEN THE POOREST COUNTRIES SUPPORT THE NOTION THAT IT IS IN THEIR OWN BEST INTEREST FOR THE RICHEST INDUSTRIAL COUNTRIES TO FOCUS ON CUTTING INFLATION AT HOME AS A FIRST PRIORITY.

THERE WAS ALSO AGREEMENT ON THE NEED TO REPLENISH FUNDS FOR THE INTERNATIONAL DEVELOPMENT ASSOCIATION WHICH LENDS MONEY FOR DEVELOPMENT PROJECTS TO THE POOREST OF THE DEVELOPING COUNTRIES AT VERY LOW INTEREST AND UP TO FIFTY YEARS TO REPAY.

AUTHORIZATION FOR THE ASSOCIATION -- CALLED IDA -- RUNS OUT IN JUNE OF NEXT YEAR UNLESS ITS LENDING FUND IS REPLENISHED.

INDUSTRIAL NATIONS, WHICH IN THE PAST HAVE CONTRIBUTED HEAVILY TO IDA'S OPERATIONS, AGREE IN PRINCIPLE ON THE NEED TO INCREASE THEIR CONTRIBUTIONS TO OFFSET INFLATION. BUT THERE WAS A FIRM CALL FROM CONTRIBUTING COUNTRIES FOR PARTICIPATION BY THE OIL EXPORTING COUNTRIES WHOSE HELP IS NEEDED IF THE ASSOCIATION'S FUNDS ARE TO BE INCREASED IN REAL TERMS.

UNQUESTIONABLY, THE SHARPEST DIFFERENCE OF OPINION TO EMERGE IN MANILA WAS THE ISSUE OF WHETHER TO MAINTAIN THE CURRENT ANNUAL CEILING OF FIVE POINT EIGHT THOUSAND MILLION DOLLARS IN THE WORLD BANK LENDING PROGRAM OR WHETHER TO RAISE THE LENDING CEILING. BANK PRESIDENT ROBERT MCNAMARA, SUPPORTED BY A NUMBER OF DEVELOPING COUNTRIES, ARGUED THAT AN IMMEDIATE INCREASE IS NEEDED, NOT ONLY TO OFFSET INFLATION BUT TO PROVIDE INCREASED ASSISTANCE TO THE DEVELOPING WORLD.

U.S. SECRETARY OF THE TREASURY WILLIAM SIMON, WHO IS ON THE BANK'S BOARD OF GOVERNORS, ARGUES THAT FOR NOW THE CEILING SHOULD STAY, SINCE THE BANK HAS ALREADY EXPERIENCED EXTRAORDINARY GROWTH IN THE PAST EIGHT YEARS. HE SAYS THAT FURTHER EXPANSION AT TOO RAPID A RATE COULD NOT ONLY DESTROY THE WORLD BANK'S CREDIBILITY WITH THE FINANCIAL LENDING INSTITUTIONS THAT LEND IT MONEY BUT IT COULD ALSO STRETCH THE BANK'S CAPACITY SO THIN THAT THE BANK ITSELF COULD NOT SURVIVE.

AS WITH SO MANY QUESTIONS INVOLVING INTERNATIONAL ECONOMICS, THERE IS SIMPLY NO RIGHT OR WRONG ANSWER. BUT IF THE BANK'S LENDING LEVELS EMERGED AS THE LARGEST ISSUE, SOMETHING FAR MORE SIGNIFICANT IN THE FINAL ANALYSIS ALSO EMERGED FROM THE FIVE

DAYS OF MEETINGS IN MANILA, THAT WAS A SENSE OF THE NEED FOR INTERNATIONAL COOPERATION AND AGREEMENT THAT HARD-EYED AND REALISTIC APPROACHES MUST BE TAKEN IN DEALING WITH WORLD ECONOMIC PROBLEMS. THERE WAS ALSO AGREEMENT THAT THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND HAVE BEEN VITAL TO THE ECONOMIC SURVIVAL OF LARGE NUMBERS OF DEVELOPING COUNTRIES FACED WITH BANKRUPTCY SINCE THE OIL CRISIS.

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JS/CAK